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Macroeconomic policy questions: international trade and development; science and technology for development; specific actions related to the particular needs and problems of landlocked developing countries; international financial system and development; external debt crisis and development; outcome of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation; commodities

Implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006)

Third United Nations Conference on the Least Developed Countries

Follow-up to the International Conference on Financing for Development

Letter dated 20 October 2003 from the Permanent Representative of Italy to the United Nations addressed to the Secretary-General

I have the honour to transmit to you herewith the document entitled "Follow-up to the International Conference on Financing for Development (Monterrey 2002): the EU Barcelona Commitments" (see annex).

I should be grateful if you would have the present letter and its annex distributed as a document of the fifty-eighth session of the General Assembly, under items 91 (a)-(g), 98, 102 and 104, and as an input to the high-level dialogue as provided in General Assembly resolution 57/250.

(*Signed*) Marcello **Spatafora**
Permanent Representative

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Annex to the letter dated 20 October 2003 from the Permanent Representative of Italy to the United Nations addressed to the Secretary-General

Follow-up to the International Conference on Financing for Development (Monterrey 2002): the EU Barcelona Commitments

▪ Introduction

Since the Millennium Declaration, a number of international conferences have established an unprecedented worldwide consensus on objectives, strategies and financial needs and commitments to alleviate poverty.

The Council of the European Union conclusions of 14 March 2002[1] agreed upon the EU contribution to the Monterrey International Conference of Financing for Development by adopting commitments (referred to as the Barcelona commitments), concerning the volume of ODA, co-ordination of policies and harmonisation of procedures, untying of aid, trade related technical assistance, reform of the international financial system, debt relief, global public goods and innovative sources of financing.

In addition, increased trade opportunities created by further global trade liberalisation and improved multilateral trade rules are an important element of financing for development, as confirmed by the Monterrey Consensus. The EU expresses its deep regret over the failure to achieve substantial progress on the occasion of the Cancun Conference organised by the World Trade Organisation. We remain convinced that a growing liberalisation of world trade, together with development cooperation activities, can play a crucial role in achieving the Millennium Development Goals. This is why the EU feels that it is important to continue the negotiations in the WTO framework as soon as all parties are ready to participate again. All should demonstrate the determination and flexibility needed to honour the commitments enshrined in the Doha Development Agenda.

The European Commission will continue to monitor Member States' implementation of the Barcelona Commitments, and will submit the next regular report to an EU General Affairs and External Relations Council in April 2004.

▪ Summary

Some specific elements of the implementation of the Barcelona commitments can be highlighted:

The volume of Official Development Assistance

The EU is the largest provider of official development assistance (ODA) in the world: its contribution is over half of global ODA. The trend is globally positive towards the achievement of the Barcelona commitment on the volume of ODA. One and a half year after Monterrey, the results are better than expected.

- All Member States are working to achieve the fulfilment of their individual Barcelona commitments concerning the level of ODA, and considerable progress

[1] See Annex.

has been made in this respect by the EU as a whole as well as on national levels since some Member States have already achieved the Barcelona Commitments. Acceding Member States have undertaken to gradually increase their ODA level, and considerable steps have been taken in this direction.

- The following table contains ODA data provided by Member States and submitted by the European Commission to the Council of the European Union in its report "Follow-up to the International Conference on Financing for Development (Monterrey-2002), Monitoring the Barcelona Commitments", in May 2003. The data outlined in the table might have been subject to change after its publication. An update on this data has been supplied by the Governments of Italy for the year 2003 (0.21), and by the Government of Portugal for the year 2003 (T.B.D.) and 2002 (0.27).

	EU ODA ACHIEVEMENTS AND PERSPECTIVES 2001-2006						
	2001		2002	2003	2004	2005	2006
MEMBER STATES	M €	% GNI	% GNI	% GNI	% GNI	% GNI	% GNI
AUSTRIA	595	0,29	0.24	0.4	0.36	0.29	0.33
BELGIUM	968	0.37	0.42	0.46	0.5	0.54	0.6
DENMARK	1824	1,03	0.96	0.9	>0.8	>0.8	>0.8
FINLAND	434	0.32	0.33	0.35	0.38*	0.40*	0.42*
FRANCE	4713	0,32	0.36	0.39	T.B.D.	T.B.D.	0.5
GERMANY	5571	0,27	0.27	0.28	T.B.D.	T.B.D.	0.33
GREECE	202	0,17	0.17	0.2	0.25	0.3	0.33
IRELAND	320	0,33	0.41	0.41	T.B.D.	T.B.D.	0.7
ITALY	1817	0,15	0.2	0.19	0.23	0.27	0.33
LUXEMBOURG	157	0,82	0.82	0.84	0.88	0.92	0.96
NETHERLANDS	3541	0,80	0.8	0.8	0.8	0.8	0.8
PORTUGAL	299	0,25	0.25	0.25	T.B.D.	T.B.D.	0.33
SPAIN	1939	0,30	0.25	0.28	0.31	0.32	0.33
SWEDEN	1860	0,81	0.74	0.81	0.86	T.B.D.	1
UK	5112	0,32	0.3**	0.33	0.35	0.4	0.4
EU TOTAL	29 352	0.33	0.34	N.A.	N.A.	N.A.	>0.44

Source: European Commission Report "Follow-up to the International Conference on Financing for Development (Monterrey-2002), Monitoring the Barcelona Commitments", Brussels May 2003.

**Based on the increase (in €) of the ODA agreed by the Government of Finland to take place by the end of its term in 2007 and on the present GNI estimate for future years.*

*** This decrease is due to a delay in lodging the UK's contribution to IDA in 2002 and represents a statistical anomaly.*

G.N.I. : Gross national income.

T.B.D.: To be determined.

N.A.: Not applicable.

Concrete steps forward Co-ordination of policies and Harmonisation of procedures before 2004

There is a consensus among Member States to move forward on the fundamental issue of improving co-ordination of policies and harmonisation of procedures. Effective improvements should quickly be achieved. Indeed, the perspective of enlargement makes this issue even more crucial.

- At the international level, the work on the OECD/DAC Task Force on harmonisation of procedures has been the main driving force of the debate on concrete steps towards the implementation of the concept (adoption of the Good Reference Papers in December 2002) and the preparation of the High Level Forum on Harmonisation, held in Rome in February 2003.
- Member States agreed to formulate proposals for concrete measures at the EU level in the four countries of the pilot initiative conducted in 2002 (Morocco, Mozambique, Nicaragua and Vietnam).
- To implement the 'Rome Declaration on Harmonisation', the European Commission will elaborate a set of recommendations for action to be jointly implemented by the 15 Member States, the 10 new acceding countries and itself. Its objective will be to establish a minimum level of co-ordination and harmonisation and to ensure full implementation of the 2001 European Commission Guidelines on operational co-ordination through a series of concrete and clear actions.

Further untying of Aid

Untying of aid[2] was recognised in Monterrey as one of the significant means to improve the effectiveness of aid.

- The EU Member States are committed to the OECD/DAC recommendation on the untying of Official Development Assistance (ODA) to Least Developed Countries (LDC). They have all implemented or are in the process of introducing measures for applying these recommendations to their ODA.
- There is a general movement in favour of untying that goes beyond the scope of DAC Recommendations.
- At the General Affairs and External Relations Council (GAERC) of May 2003, the Ministers of the European Union have agreed to the further untying of community aid in order to enhance the effectiveness of aid and to increase its impact on the fight against poverty.

Trade Related Technical Assistance

The commitment is, to a large extent, implemented. Member States and the European Commission have launched a large number of actions in favour of TRTA.

- The Member States and the European Commission are largely engaged in a wide and varied programme of Trade Related Technical Assistance (TRTA).
- The EU cumulated initiatives represent a large spectrum that covers the strengthening of long term capacity building, addresses supply-side constraints and supports the improvements in negotiating capacity.
- The EU Member States and the European Commission provide increasing resources for trade related technical assistance. In 2001-2002 the European Commission committed approximately 1.5 billion Euro – compared to 640 million Euro for the period 1996-2000 – and the EU Member States committed half a billion Euro. In total, the EU thus committed approximately 2 billion Euro in 2001-2002, or nearly half of the trade related assistance provided by all donors (bilateral and multilateral) as recorded in the Joint WTO/OECD database.
- The EU provides significant funding for UNCTAD trade related technical assistance programmes, and also contributed to more than 50% of the 2002 and

[2] Tied aid is aid given on the condition that the recipient will use it to purchase goods and services from suppliers based in the donor country.

2003 budget of the Doha Development Agenda Global Trust Fund that was created by the WTO in 2001. In 2002, EU contributions to that WTO Trust Fund amounted to CHF 13.6 million of a total of CHF 24m. For 2003, EU contributions already represent CHF 8m of the CHF 10m contributed to date.

Reform of the International Financial System

The governing boards of both the World Bank and the IMF have been mandated in Dubai to continue their consideration of innovative and pragmatic ways to enhance the voice and effective participation of developing and transition countries in the work and decision-making of the Bank and the Fund. The European Union Member States are open towards ideas being developed at the World Bank and IMF in this field. In this context the EU welcomes the administrative measures already taken to enhance the capacity of Executive Directors' offices of developing and transition countries.

Debt Relief

All Member States of the Union have made the necessary provisions to ensure their own participation in the HIPC initiative, and some of them are already providing debt relief beyond the requirements of this scheme.

	Paris Club (NPV 2002 MUSD)
Austria	229
Belgium	550
Denmark	24
Finland	13
France	2173
Germany	1278
Greece	0
Ireland	0
Italy	1073
Luxembourg	0
Netherlands (1)	326
Portugal	237
Spain	437
Sweden	88
United Kingdom (2)	528
Total MS	**6956**

(1) In addition NL provided USD 20 Million for debt relief by IMF to Zambia

(2) In addition UK contributed SDR 31,5 million for debt relief by IMF to Uganda.

This table as well as the table on next page are extracts of the Report: "International Monetary Fund and International Development Association, Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation. Prepared by the Staffs of the IMF and World Bank". September 12, 2003.

(http://www.worldbank.org/hipc/Progress_Report-Fall_2003_IMFC_.pdf

Status of Bilateral Donor Pledges to the HIPC Trust Fund (Nominal amounts as of September 3, 2003, in millions of U.S. dollars)

Donor	Inception through end-September 2002				Since October 2002 3/			
	Commitments			Paid in Contributions	Commitments			Paid in Contributions
	EU/EC Contribution	Bilateral	Total	Including EU/EC Contribution	EU/EC Contribution	Bilateral	Total	Including EU/EC Contribution
Austria	18	26	44	44	6		6	
Belgium	26	20	46	46	9	9	18	
Denmark	15	45	60	57	5	15	20	
Finland	10	25	35	35	3	6	9	6
France	166	21	187	187	57	11	68	
Germany	160	72	232	224	55	43	98	
Greece	9	3	12	12	3	2	5	2
Ireland	4	20	24	24	1		1	
Italy	86	70	156	156	29	31	60	
Luxembourg	2	1	3	2	1	0	1	
Netherlands 1/	36	138	174	174	12	56	68	
Portugal	7	15	22	22	2		2	
Spain	40	85	125	105	14	25	39	
Sweden	19	58	77	77	6	26	32	
United Kingdom 2/	84	221	309	226	30	95	125	
Total	686	820	1,506	1,391	233	319	552	8

Source: extracts of the Report: "International Monetary Fund and International Development Association, Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation, Prepared by the Staffs of the IMF and World Bank". September 12, 2003.

Note: Many donors have also provided debt relief through other initiatives and mechanisms including: the Debt Reduction Facility for IDA-only Count (providing financing for commercial debt reduction), specific country-held multilateral debt relief facilities and the Central American Emergency Trust Fund. Bilateral donor funding for such measures has been (in $ million): Spain-$30; Netherlands-$12.8; Italy-$12, United Kingdom - $16.3; Austria-$2.7; Germany-$13.2; Sweden-$23.4; and Denmark-$10.9 (through a bilateral trust fund administered by IDB). These resources are not included herewith as the debt relief under HIPC is additional to these efforts. Figures in the table might not add up due to rounding.

1/ In addition, the Netherlands provided US$20 million for debt relief provided by the IMF to Zambia over and above the debt relief called for under the HIPC Debt Initiative. This amount is not included in the contribution amount presented above.

2/ In addition, the United Kingdom contributed SDR31.5 million to the HIPC Trust Fund for the IMF for debt relief to Uganda. This amount is not included in the contribution amount presented above.

3/ These figures correspond to the Chairman's Summary of HIPC Technical Meeting of Oct. 24, 2002, adjusted to take into account the new EC-ACP contributions that were included as part of the EU Member States pledges. Subsequent contributions include Greece (EUR3 million). Many donors linked the level of their additional pledges to specific funding gap estimates.

4/ On May 16, 2003, the ACP-EU Council bringing together Ministers from African, Caribbean, and Pacific countries and EU Member States approved a new contribution to the HIPC Trust Fund of EUR200 million.

5/ Contribution agreements have been signed covering all of its outstanding balance.

6/ Promissory notes with encashment schedule.

- The enhanced HIPC initiative is making progress. Since its launch in 1999 27 countries have passed the decision point, of which 8 countries have reached the completion point. The EU has provided more than half the financing of the HIPC initiative. In addition all EU Member States have announced their intention to go beyond HIPC targets by providing officially 100% bilateral pre-cod debt relief for all claims on HIPC countries.
- The EU is urging all creditors and donors that have not yet done so to provide their share of bilateral debt relief and multilateral financing to the HIPC initiative.
- The EU is ready to discuss with the IFIs and other donors possible changes in the method to calculate the topping up requirement at the completion point for those HIPC countries where the debt is deemed unsustainable at the time due to severe exogenous shocks and ways to fill the financing gap while ensuring a fair burden sharing.
- The Commission is currently undertaking a study on the issue of long term debt sustainability.

Innovative Sources of Financing- Global Public Goods

It must also be pointed out that the following up to the commitments regarding "Innovative Sources of financing" and "Global Public Goods" will have to be intensified, and these areas will need further studying and evaluation. Some Member States have already taken the initiative to further explore innovative sources of financing:

- International Taxation Mechanisms (France, Italy);
- Public/Private Partnerships (France, Denmark);
- Increased ODA (UK's International Financial Facility proposal);
- Global Public Goods (Informal International Task Force launched at WSSD by France and Sweden).

Concluding Remarks

One and a half year after the Conference, the implementation appears to have well started. The initiatives recorded prove continuing strong commitment of the EU to the implementation of the results of the Monterrey Process. The momentum has now to be respected.

The European Union remains firmly committed to the outcome of the International Conference on Financing for Development. Full implementation of the Monterrey consensus will contribute significantly to the achievement of the Millennium Development Goals within the timelines we have set ourselves. Indeed the Monterrey consensus is an indispensable part of this process, to which the European Union reaffirms its strong commitment and the implementation of the Barcelona commitments is an essential element of this.

Annex

[Original: English, French and Spanish]

Council of the European Union Conclusions on 14 March 2002, concerning the International Conference on Financing for Development

The Council of the European Union:

"1. Considering that the International Conference on Financing for Development represents an historic opportunity to make progress towards the achievement of the Millennium Development Goals for poverty reduction and the other internationally agreed development targets in a holistic manner.

2. Recalling the need for all international partners to reach the UN goal of 0.7% ODA/GNI and the European Council Presidency Conclusions in Gothenburg and Laeken, and recognizing that mobilizing international private and public resources for sustainable development is essential, that resources would need to be increased in order to reach the Millennium Development Goals, including according to World Bank estimates a doubling of ODA;

3. Stressing that the Conference should be based on a spirit of strengthened partnership in which developing countries take primary responsibility for their own development, ensuring democracy, human rights and the rule of law, while developed countries actively support them, thus contributing to the "global deal" that will be discussed at the Johannesburg Summit.

4. Recognizing that the issue of aid effectiveness both by donors and recipients must be adequately addressed to ensure that increased ODA flows have a positive impact on development, and resources go effectively and efficiently to fighting poverty and reducing inequality.

5. Stressing that developing countries have primary responsibility to create a sound macroeconomic environment, an appropriate framework for investments and guarantee that funds received are properly and effectively managed, engaging themselves to ensure good governance, achieve high standards of transparency and eliminate corruption.

6. Recalling the importance to development financing of the Doha Development Agenda, which should address the specific concerns and priorities of developing countries, allowing them to realize the full benefits of participation in the world economy.

7. And thus, in order to achieve a successful outcome of the Conference, the Council stresses the value of the Monterrey Consensus, and affirms its willingness to make the following commitments;

a) In pursuance of the undertaking to examine the means and timeframe that will allow each of the Member States to reach the UN goal of 0.7% ODA/GNI, those Member States that have not yet reached the 0.7% target commit themselves - as a first significant step - individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain above the target of 0.7% ODA, so that collectively an EU average of 0.39% is reached by 2006. In view of this goal, all the EU Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006.

b) To take concrete steps on coordination of policies and harmonization procedures before 2004, both at EC and Member States level, in line with internationally agreed best practices including by implementing recommendations from the OECD Development Assistance Committee Task Force on donor practice.

c) To implement the DAC recommendation on untying of aid to Least Developed Countries and continue discussions in view of further untying. The EU will also consider steps towards further untying of Community aid while maintaining the existing system of price preferences of the EU-ACP framework.

d) To increase assistance for long-term trade-related capacity building, productive capacity and measures addressing supply-side constraints in developing countries, as well as to provide immediate support for trade-related technical assistance in order to improve the negotiating capacity of developing countries in trade negotiations, including by commitments made at the WTO pledging Conference in Geneva on 11 March 2002

e) To further work towards a participatory process at the global level, including the proposal of setting up a task force open to all actors on a temporary basis, designed to lead to the identification of relevant Global Public Goods.

f) To further explore innovative sources of financing and taking into account the conclusions of the Commission Globalization Report.

g) To influence the reform of the International Financial System by combating abuses of financial globalization, strengthening the voice of developing countries in international economic decision-making, and, while respecting their respective roles, enhancing the coherence between the UN, International Financial Institutions and WTO.

h) To pursue its efforts to restore debt sustainability in the context of the enhanced HIPC initiative, so that developing countries, and especially the poorest ones, can pursue growth and development unconstrained by unsustainable debt dynamics."